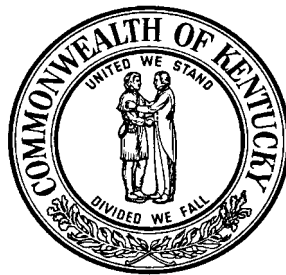


**REPORT OF THE AUDIT OF THE  
JOHNSON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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FRANKFORT, KY 40601-1817  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Stephen L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Roger T. Daniel, Johnson County Judge/Executive

Members of the Johnson County Fiscal Court

The enclosed report prepared by Teddy Michael Prater, CPA, PLLC, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Teddy Michael Prater, CPA, PLLC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Teddy Michael Prater, CPA, PLLC evaluated Johnson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Pubic Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**JOHNSON COUNTY FISCAL COURT**

**June 30, 2009**

Teddy Michael Prater CPA, PLLC has completed the audit of the Johnson County Fiscal Court for the fiscal year ended June 30, 2009.

We have issued an unqualified opinion, on the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Kentucky.

**Financial Condition:**

The Fiscal Court had net assets of \$13,460,596 as of June 30, 2009. The Fiscal Court had unrestricted net assets of \$4,728,710 in its governmental activities as of June 30, 2009. The Fiscal Court had total debt principal as of June 30, 2009 of \$8,320,095 with \$602,024 due within the next year.

**Report Comments:**

None.

**Deposits:**

As of June 30, 2009, the County's deposits were covered by FDIC insurance or a properly executed collateral security agreement. However as of April 30, 2009, \$209,523 of the County's deposits were unsecured and uncollateralized.



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**TEDDY MICHAEL PRATER CPA, PLLC**  
**HC 62 Box 291**  
**Salyersville, KY 41465**  
**Telephone (606) 349-8042**

To the People of Kentucky  
Honorable Stephen L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Roger T. Daniel, Johnson County Judge/Executive  
Members of the Johnson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Johnson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Johnson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Kentucky, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Roger T. Daniel, Johnson County Judge/Executive  
Members of the Johnson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Johnson County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2009, on our consideration of Johnson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Teddy Michael Prater CPA". The signature is written in a cursive, flowing style.

Teddy Michael Prater CPA, PLLC

December 16, 2009

JOHNSON COUNTY OFFICIALS

June 30, 2009

**Fiscal Court Members:**

Roger T. Daniel	County Judge/Executive
Paul Daniel	Commissioner
Kathy Adams	Commissioner
Darren Gamble	Commissioner

**Other Elected Officials:**

Michael Endicott	County Attorney
Steve Sluss	Jailer
Sally A. Holbrook	County Clerk
Vicki Rice	Circuit Court Clerk
William D. Witten	Sheriff
Michael Stafford	Property Valuation Administrator
J.R. Frisby	Coroner

**Appointed Personnel:**

Adaline Stambaugh	County Treasurer
Edadeane Bussey	Occupational Tax Collector
Betty Picklesimer	Finance Officer
Donald G. Patton	Deputy County Judge/Executive
Johnna Sloan	Administrative Assistant
Lillian Wheeler	Programs and Projects Coordinator



*Office Of The Judge/Executive*  
**Johnson County Court House**

230 COURT STREET, SUITE 201

P. O. BOX 868

PAINTSVILLE, KENTUCKY 41240

**R. T. DANIEL**

COUNTY JUDGE/EXECUTIVE

Phone 606-789-2550

Fax 606-789-2555

**Management's Discussion and Analysis**  
**June 30, 2009**

The financial management of Johnson County, Kentucky offers readers of Johnson County's financial statements this narrative overview and analysis of the financial activities of Johnson County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

**Financial Highlights.**

- Johnson County had net assets of \$13,460,596 as of June 30, 2009. The Fiscal Court had unrestricted net assets of \$4,728,710 in its governmental activities as of June 30, 2009. Total debt principal as of June 30, 2009 was \$8,320,095 with \$602,024 due within one year.
- The government's total net assets increased by \$1,240,419 from the prior year. This increase is primarily due to the decrease in expenditures from the prior year.
- At the close of the current fiscal year, Johnson County's balance sheet reported a fund balance of \$4,823,870. Of this amount, \$4,359,910 is available for spending at the government's discretion (unreserved fund balance).
- Johnson County's total indebtedness at the close of fiscal year June 30, 2009 was \$8,320,095, of which \$7,718,071 is long-term debt (due after 1 year) and \$602,024 is short-term debt (to be paid within 1 year). Debt reductions were \$405,466 during the year.
- Johnson County bought some new vehicles and road equipment at a cost of \$114,140 and did \$623,746 in road resurfacing and reconstruction without incurring additional debt for these items.

**Overview of the Financial Statements.**

This management discussion and analysis is intended to serve as an introduction to Johnson County's basic financial statements. Johnson County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Johnson County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Government-wide Financial Statements.**

The *government-wide financial statements* are designed to provide readers with a broad overview of Johnson County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Johnson County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Johnson County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Johnson County's governmental activities include general governmental, protection to persons and property, general health and sanitation, roads, recreation, social services, debt service, and administration. The County has no business-type activities.

The government-wide financial statements include not only Johnson County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Johnson County has two entities, the Public Properties Courthouse Corporation and the Justice Center Corporation. They are known as blended component units.

**Fund Financial Statements.**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Johnson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Johnson County are *governmental funds*.

**Johnson County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Governmental Funds.**

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Johnson County maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, LGEA Fund, Industrial Authority #3 Fund, and Justice Center Corporation Fund, all of which are considered major funds by the County. The Jail Fund, Mountain Homeplace Economic Development Project Fund, Special Insurance Fund, Industrial Authority #1 Fund, Industrial Authority #2 Fund, Industrial Authority #4 Fund, Maced Microenterprise Assistance Fund, and Public Properties Courthouse Corporation Sinking Bond Fund are considered non-major funds and are represented in a combined form.

Johnson County adopts an annual appropriated budget for its major governmental funds except the Justice Center Corporation. A budgetary comparison statement has been provided for the General, Road, LGEA, and Industrial Authority #3 funds to demonstrate compliance with their budgets.

**Notes to the Financial Statements.**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Johnson County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Government-wide Financial Analysis.**

**Net Assets.**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, total assets exceeded liabilities by \$13,460,596 for fiscal year 2009 and \$12,220,177 for fiscal year 2008. Net assets increased primarily due to the capitalization of repairs and resurfacing to roads.

**Table 1  
Summary of Statement of Net Assets  
as of June 30, 2009 and 2008**

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
<b>Assets</b>		
Current and other assets	\$ 5,108,032	\$ 4,470,425
Capital assets	<u>16,672,659</u>	<u>16,475,313</u>
Total Assets	21,780,691	20,945,738
<b>Liabilities</b>		
Current and other liabilities	602,024	600,588
Long-term liabilities	<u>7,718,071</u>	<u>8,124,973</u>
Total Liabilities	8,320,095	8,725,561
<b>Net Assets</b>		
Invested in capital assets, net of related debt	8,352,564	7,949,752
Restricted	379,322	423,437
Unrestricted	<u>4,728,710</u>	<u>3,846,988</u>
Total Net Assets	<u>\$ 13,460,596</u>	<u>\$ 12,220,177</u>

**Johnson County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Statement of Activities.**

The following table indicates changes in net assets for governmental activities:

**Table 2  
Summary of Changes in Net Assets  
For the Fiscal Years Ended June 30, 2009 and 2008**

	<b>Governmental Activities <u>2009</u></b>	<b>Governmental Activities <u>2008</u></b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 9,020	\$ 15,745
Operation grants and contributions	3,465,557	2,102,656
Capital grants and contributions	242,985	1,626,591
<b>General revenues:</b>		
Real property tax	586,188	637,191
Motor vehicle taxes	17,102	42,419
Occupational taxes	965,160	966,836
Other taxes	425,169	372,241
Excess fees	1,362,406	1,285,416
Unrestricted investment earnings	69,925	130,912
Other revenues	<u>64,133</u>	<u>1,226,894</u>
Total revenues	7,207,645	8,406,901
<b>Expenses:</b>		
General government administration	3,870,062	3,471,070
Protection to persons and property	566,563	885,226
General health and sanitation	427,795	757,973
Social Services	61,591	52,267
Recreation and culture	25,000	62,087
Roads	683,911	813,303
Debt service	<u>332,304</u>	<u>335,983</u>
Total expenses	5,967,226	6,377,909
Change in net assets	<u>1,240,419</u>	<u>2,028,992</u>
Net assets-beginning	<u>12,220,177</u>	<u>10,191,185</u>
Ending net assets	<u><u>\$13,460,596</u></u>	<u><u>\$12,220,177</u></u>



**Johnson County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Johnson County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Johnson County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2009 fiscal year, the ending fund balance of County governmental funds was \$4,823,870. Approximately 90% (\$4,359,910) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has five major governmental funds. These are the General Fund, Road Fund, LGEA Fund, Industrial Authority #3 Fund, and Justice Center Corporation Fund. There are 8 non-major funds. They are the Jail Fund, Mountain Homeplace Economic Development Project Fund, Special Insurance Fund, Industrial Authority #1 Fund, Industrial Authority #2 Fund, Industrial Authority #4 Fund, Maced Microenterprise Assistance Fund, and Public Properties Courthouse Corporation Sinking Bond Fund.

1. The General Fund is the chief operating fund of Johnson County. At the end of the June 30, 2009 fiscal year, unreserved fund balance of the General Fund was \$1,536,085. The County received \$965,160 in Occupational tax revenues. This accounts for approximately 23% of the General Fund revenue. \$603,290 was received from real and personal property taxes and accounts for approximately 14% of the County's General Fund revenues. The County collected \$1,362,406 in excess fees from the Sheriff and Clerk. This accounts for approximately 32% of the General Fund revenues. Various other taxes and service fees make up the remaining 31% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had \$983,314 in fund balance at June 30, 2009. The fund balance at the end of the previous year was \$589,341. The fiscal year 2009 expenditures for the road fund were \$934,511.
3. The Justice Center Corporation Fund is used for the construction on the new Justice Center. It was funded by the issuance of revenue bonds \$9,540,000. The Justice Center Corporation had a fund balance at June 30, 2009 of \$379,322. The fiscal year 2009 expenditures for the Justice Center project were \$687,790.
4. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2009 of \$6,785, a decrease of \$9,895 over the previous fiscal year end.
5. The Local Government Economic Assistance Fund had a fund balance of \$948,404, an increase of \$283,401 over the previous fiscal year end.

**Johnson County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

6. The Mountain Homeplace Economic Development Project Fund had a fund balance of \$34,300, an increase of \$491 over the previous fiscal year end.
7. The Special Insurance Fund had a fund balance of \$54,779, an increase of \$423 over the previous fiscal year end.
8. The Industrial Authority #1 Fund is restricted to the recruitment of new companies and jobs to the County. The year end balance of this Fund was \$222,653, an increase of \$3,186 over the previous fiscal year end.
9. The Industrial Authority #2 Fund is restricted to the recruitment of new companies and jobs to the County. The year end balance of this Fund was \$12,617, an increase of \$181 over the previous fiscal year end.
10. The Industrial Authority #3 Fund is restricted to the recruitment of new companies and jobs to the County. The year end balance of this Fund was \$497,492, an increase of \$7,119 over the previous fiscal year end.
11. The Industrial Authority #4 Fund is restricted to the recruitment of new companies and jobs to the County. The year end balance of this Fund was \$29,373, an increase of \$420 over the previous fiscal year end.
12. The Maced Microenterprise Assistance Fund provides lending and technical assistance to individuals setting up new businesses. The year end balance of this Fund was \$1, a decrease of \$4,197 over the previous fiscal year end.
13. The Public Properties Courthouse Corporation Sinking Bond Fund had an ending fund balance of \$38,347 at the end of the fiscal year. Its activities are restricted to debt reduction on the Courthouse Corporation Bond issue. Outstanding debt on the Courthouse Corporation is \$0.

**General Fund Budgetary Highlights.**

The County's original budget was amended during the fiscal year increasing the overall budget by \$1,400,000. Budget amendments were made to the general fund and road fund due to an increase in unexpected revenues.

Actual operating revenues were \$678,662 more than amount originally budgeted by the Fiscal Court. This increase was primarily from unexpected taxes, intergovernmental revenues and excess fees received from the County Clerk and Sheriff.

Actual operating expenditures were \$502,564 less than amount originally budgeted by the Fiscal Court. This decrease was primarily from the general government and road expenditures.

**Johnson County**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Continued)**

**Capital Assets and Debt Administration.**

*Capital Assets.* Johnson County's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$16,672,659 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions. Additional information on capital assets can be found in Note 3 of this report.

**Table 3**  
**Capital Assets**

	<u>June 30, 2008</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u> <u>Balance</u>
<b>Primary Government:</b>				
<b><u>Governmental Activities:</u></b>				
Capital Assets Net Being Depreciated:				
Land and Land Improvements	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Total Capital Assets Net Being Depreciated	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>
Capital Assets, Being Depreciated:				
Buildings	13,086,371	-	-	13,086,371
Other Equipment	220,347	-	-	220,347
Vehicles and Equipment	1,313,390	114,140	(30,043)	1,397,487
Infrastructure	<u>4,396,221</u>	<u>623,746</u>	<u>-</u>	<u>5,019,967</u>
Total Capital Assets Being Depreciated	19,016,329	737,886	(30,043)	19,724,172
Less Accumulated Depreciation For:				
Buildings	(2,608,934)	(222,840)	-	(2,831,774)
Other Equipment	(48,067)	(7,249)	-	(55,316)
Vehicles and Equipment	(594,954)	(112,796)	15,483	(692,267)
Infrastructure	<u>(489,061)</u>	<u>(183,095)</u>	<u>-</u>	<u>(672,156)</u>
Total Accumulated Depreciation	<u>(3,741,016)</u>	<u>(525,980)</u>	<u>15,483</u>	<u>(4,251,513)</u>
Total Capital Assets, Being Depreciated, Net	<u>15,275,313</u>	<u>211,906</u>	<u>(14,560)</u>	<u>15,472,659</u>
Governmental Activities Capital Assets, Net	<u>\$16,475,313</u>	<u>\$ 211,906</u>	<u>(\$14,560)</u>	<u>\$16,672,659</u>

*Long-Term Debt.* At the end of the 2009 fiscal year, Johnson County had total long-term debt outstanding of \$8,320,095. The amount of this debt due within the next year is \$602,024 and \$7,718,071 is due in subsequent years. Additional information on debt can be found in Notes 4 and 5 of this report.

**Johnson County  
Management's Discussion and Analysis  
June 30, 2009  
(Continued)**

**Capital Assets and Debt Administration. (Continued)**

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2010 fiscal year budget:

- The 2010 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level may have a negative impact on funding for County programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

**Requests For Information**

This financial report is designed to provide a general overview of Johnson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Johnson County Treasurer, P. O. Box 868, Paintsville, Kentucky 41240.

**JOHNSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**JOHNSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<u><b>Primary Government Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,823,870
Assets Held for Sale	195,122
Total Current Assets	<u>5,018,992</u>
Noncurrent Assets:	
Bond Discount	89,040
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	1,200,000
Buildings	10,254,597
Other Equipment	165,031
Vehicles and Equipment	705,220
Infrastructure	4,347,811
Total Noncurrent Assets	<u>16,761,699</u>
Total Assets	<u>21,780,691</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Revenue Bonds	385,000
Financing Obligations	217,024
Total Current Liabilities	<u>602,024</u>
Noncurrent Liabilities:	
Revenue Bonds	7,685,000
Financing Obligations	33,071
Total Noncurrent Liabilities	<u>7,718,071</u>
Total Liabilities	<u>8,320,095</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	8,352,564
Restricted For:	
Debt Service	379,322
Unrestricted	4,728,710
Total Net Assets	<u><u>\$ 13,460,596</u></u>

The accompanying notes are an integral part of the financial statements.

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**JOHNSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**



**JOHNSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 3,870,062	\$	\$ 1,262,400	\$ 6,681	\$ (2,600,981)
Protection to Persons and Proper	566,563	9,020	105,194	10,169	(442,180)
General Health and Sanitation	427,795			226,135	(201,660)
Social Services	61,591				(61,591)
Recreation and Culture	25,000				(25,000)
Roads	683,911		2,097,963		1,414,052
Debt Service	332,304				(332,304)
Total Governmental Activities	<u>\$ 5,967,226</u>	<u>\$ 9,020</u>	<u>\$ 3,465,557</u>	<u>\$ 242,985</u>	<u>(2,249,664)</u>
Business-type Activities:					
General Revenues:					
Taxes:					
					586,188
					965,160
					17,102
					425,169
					1,362,406
					64,133
					69,925
</					

The accompanying notes are an integral part of the financial statements.

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**JOHNSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**JOHNSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>LGEA Fund</b>	<b>Industrial Authority #3 Fund</b>	<b>Justice Center Corporation</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,616,483	\$ 983,314	\$ 948,404	\$ 497,492	\$ 379,322
Total Assets	<u>1,616,483</u>	<u>983,314</u>	<u>948,404</u>	<u>497,492</u>	<u>379,322</u>
<b>FUND BALANCES</b>					
Reserved for:					
Debt Service					379,322
Encumbrances	80,398	1,995	1,909		
Unreserved:					
General Fund	1,536,085				
Special Revenue Funds		981,319	946,495	497,492	
Total Fund Balances	<u>\$ 1,616,483</u>	<u>\$ 983,314</u>	<u>\$ 948,404</u>	<u>\$ 497,492</u>	<u>\$ 379,322</u>

**Reconciliation of the Balance Sheet-  
Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 4,823,870
Amounts Reported For Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	20,924,172
Depreciation	(4,251,513)
Bond Discount Is Not A Current Financial Resource and, Therefore, Is Not Reported in the Funds.	89,040
Assets Held For Resale Are Not Current Financial Resources and, Therefore, Are Not Reported in the Funds.	195,122
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(250,095)
Bonded Debt	<u>(8,070,000)</u>
Net Assets Of Governmental Activities	<u>\$ 13,460,596</u>

The accompanying notes are an integral part of the financial statements.

**JOHNSON COUNTY****BALANCE SHEET-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS****June 30, 2009****(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 398,855</u>	<u>\$ 4,823,870</u>
<u>398,855</u>	<u>4,823,870</u>
	379,322
336	84,638
	1,536,085
<u>398,519</u>	<u>2,823,825</u>
<u>\$ 398,855</u>	<u>\$ 4,823,870</u>

The accompanying notes are an integral part of the financial statements.

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**JOHNSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**JOHNSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>LGEA Fund</b>	<b>Industrial Authority #3 Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,966,080	\$	\$	\$
In Lieu Tax Payments	27,539			
Excess Fees	1,362,406			
Intergovernmental	828,609	1,119,159	978,804	
Charges for Services	9,020			
Miscellaneous	62,433	1,200	500	
Interest	20,644	13,003	12,137	7,119
Total Revenues	<u>4,276,731</u>	<u>1,133,362</u>	<u>991,441</u>	<u>7,119</u>
<b>EXPENDITURES</b>				
General Government	2,355,471		38,379	
Protection to Persons and Property	164,375		2,646	
General Health and Sanitation	407,389	881	19,525	
Social Services			51,466	
Recreation and Culture	25,000			
Roads		742,648	538,599	
Debt Service	247,102			
Administration	1,000,163	190,982	57,425	
Total Expenditures	<u>4,199,500</u>	<u>934,511</u>	<u>708,040</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>77,231</u>	<u>198,851</u>	<u>283,401</u>	<u>7,119</u>
<b>Other Financing Sources (Uses)</b>				
Financing Obligation Proceeds		195,122		
Transfers From Other Funds				
Transfers To Other Funds	(285,000)			
Total Other Financing Sources (Uses)	<u>(285,000)</u>	<u>195,122</u>		
Net Change in Fund Balances	(207,769)	393,973	283,401	7,119
Fund Balances - Beginning (Restated)	1,824,252	589,341	665,003	490,373
Fund Balances - Ending	<u>\$ 1,616,483</u>	<u>\$ 983,314</u>	<u>\$ 948,404</u>	<u>\$ 497,492</u>

The accompanying notes are an integral part of the financial statements.

**JOHNSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Justice Center Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 1,966,080
		27,539
		1,362,406
676,776	105,194	3,708,542
		9,020
		64,133
4,698	12,324	69,925
<u>681,474</u>	<u>117,518</u>	<u>7,207,645</u>
2,000		2,395,850
	385,721	552,742
		427,795
		51,466
		25,000
		1,281,247
685,790		932,892
	25,640	1,274,210
<u>687,790</u>	<u>411,361</u>	<u>6,941,202</u>
(6,316)	(293,843)	266,443
		195,122
	285,000	285,000
		(285,000)
	<u>285,000</u>	<u>195,122</u>
(6,316)	(8,843)	461,565
385,638	407,698	4,362,305
<u>\$ 379,322</u>	<u>\$ 398,855</u>	<u>\$ 4,823,870</u>

The accompanying notes are an integral part of the financial statements.

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**JOHNSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**JOHNSON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ 461,565
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	737,886
Depreciation Expense	(525,980)
Disposal of Assets - Net Book Value	(14,560)
Assets Held for Resale Are Reported in the Funds as an Expenditure but Are Reported as an Asset on the Statement of Net Assets, Therefore, the Expenditure Has Been Eliminated from the Statement of Activities	(195,122)
Financing Obligation and Bond Proceeds Provide Current Financial Resources While Financing Obligation and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, However, Have No Effect on Net Assets	
Financing Obligation Proceeds	195,122
Financing Obligations Principal Payments	220,588
Bond Principal Payments	380,000
Bond Discount Is Initially Reported as an Expenditure in the Funds but Is Allocated Over the Life of the Bonds as Bond Discount Expense on the Statement of Activities.	(19,080)
Change in Net Assets of Governmental Activities	<u>\$ 1,240,419</u>

The accompanying notes are an integral part of the financial statements.

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TO FINANCIAL STATEMENTS**

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**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Johnson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or whose exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the application of GASB 14 and GASB 39, there are no discretely presented units which merit consideration as part of the reporting entity.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on these organizations. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Johnson County Public Properties Courthouse Corporation

The Public Properties Courthouse Corporation is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the Fiscal Court.

Johnson County Justice Center Corporation

Johnson County Fiscal Court must approve the issuance of bonded debt for the Justice Center Corporation; therefore, the Justice Center Corporation is fiscally dependent. In addition, the Fiscal Court approved all payments for the construction of the Johnson County Justice Center. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the Fiscal Court.

**C. Johnson County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Johnson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Johnson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. Johnson County did not have any business-type activities or fiduciary funds.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and other unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Local Government Economic Assistance (LGEA) Fund** - These funds may be spent for public safety, environmental protection, public transportation, health, recreation, libraries, social services, industrial and economic development, workforce training, and secondary wood industry development. In no event shall these funds be used for expenses relating to the administration of government. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Industrial Authority #3 Fund - The purpose of this fund is for the recruitment of new employees and jobs to the County.

Justice Center Corporation Fund – The Justice Center Corporation accounts for the activities of the Justice Center Corporation, a blended component unit of the County. The Justice Center Corporation issued debt to build and construct facilities for the Justice Center. The Justice Center Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Jail Fund, Mountain Homeplace Economic Development Project Fund, Special Insurance Fund, Industrial Authority #1 Fund, Industrial Authority #2 Fund, Industrial Authority #4 Fund, Public Properties Courthouse Corporation Sinking Bond Fund and the Maced Microenterprise Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Mountain Homeplace Economic Development Project Fund, Special Insurance Fund, Industrial Authority #1 Fund, Industrial Authority #2 Fund, Industrial Authority #3 Fund, Industrial Authority #4 Fund, Public Properties Courthouse Corporation Sinking Bond Fund, and the Maced Microenterprise Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The Justice Center Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	<b>Capitalization Threshold</b>	<b>Useful Life (Years)</b>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Courthouse Corporation Sinking Bond Fund or the Justice Center Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually. Transfers are budgeted in the General Fund for the Public Properties Courthouse Corporation Sinking Bond Fund to comply with the above requirements. The Department for Local Government does not require these funds to be budgeted.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the Industrial Development Board is considered a related organization of the Johnson County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Big Sandy Regional Jail is considered a joint venture of the Johnson County Fiscal Court, the Lawrence County Fiscal Court, Magoffin County Fiscal Court, and the Martin County Fiscal Court.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

However, as of April 30, 2009, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the government's deposits in accordance with the security agreement. The bank balances of \$4,859,533 were exposed to custodial risk as follows:

- \$209,523 unsecured and uncollateralized as of April 30, 2009.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,200,000	\$	\$	\$ 1,200,000
Total Capital Assets Not Being Depreciated	1,200,000			1,200,000
Capital Assets, Being Depreciated:				
Buildings	13,086,371			13,086,371
Other Equipment	220,347			220,347
Vehicles and Equipment	1,313,390	114,140	(30,043)	1,397,487
Infrastructure	4,396,221	623,746		5,019,967
Total Capital Assets Being Depreciated	19,016,329	737,886	(30,043)	19,724,172
Less Accumulated Depreciation For:				
Buildings	(2,608,934)	(222,840)		(2,831,774)
Other Equipment	(48,067)	(7,249)		(55,316)
Vehicles and Equipment	(594,954)	(112,796)	15,483	(692,267)
Infrastructure	(489,061)	(183,095)		(672,156)
Total Accumulated Depreciation	(3,741,016)	(525,980)	15,483	(4,251,513)
Total Capital Assets, Being Depreciated, Net	15,275,313	211,906	(14,560)	15,472,659
Governmental Activities Capital Assets, Net	\$ 16,475,313	\$ 211,906	\$ (14,560)	\$ 16,672,659

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 180,922
Protection to Persons and Property	74,341
Social Services	10,125
Roads, Including Depreciation of General Infrastructure Assets	<u>260,592</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 525,980</u>



**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 4. Short-term Debt**

**A. KACo Truck Lease**

On June 27, 2008, the Johnson County Fiscal Court entered into a lease agreement in the amount of \$195,122 with Kentucky Association of Counties (KACo) Leasing Trust for the purchase of two trucks. The County purchased two heavy trucks for the County to use in the 2009 fiscal year. After one year the trucks were to be auctioned off with the proceeds to be used to pay the outstanding principal of the lease. The lease agreement requires one principal payment of \$195,122 by January 20, 2010, with monthly interest payments due on the 20<sup>th</sup> of each month. The interest rate for the lease was 3.960%. The trucks were auctioned off and the liability was paid on July 20, 2009. As of June 30, 2009, the principal balance outstanding was \$195,122.

**B. Changes in Short-term Liabilities**

Short-term liability activity for the year ended June 30, 2009, was as followed:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Financing Obligations	\$ 200,000	\$ 195,122	\$ 200,000	\$ 195,122	\$ 195,122
Governmental Activities					
Short-term Liabilities	<u>\$ 200,000</u>	<u>\$ 195,122</u>	<u>\$ 200,000</u>	<u>\$ 195,122</u>	<u>\$ 195,122</u>

**Note 5. Long-term Debt**

**A. Solid Waste Revolving Loan Fund**

On April 10, 2000, Johnson County entered into a loan agreement with the Kentucky Infrastructure Authority to close the Van Lear Landfill. The Authority loaned the County \$124,583 at an interest rate of 2.3% over 10 years. As of June 30, 2009, the principal amount outstanding is \$20,973. Principal payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 13,902	\$ 403
2011	<u>7,071</u>	<u>81</u>
Totals	<u>\$ 20,973</u>	<u>\$ 484</u>

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. First Mortgage Revenue Bonds, Series 2004**

The Justice Center Corporation (Corporation), an agency and instrumentality of the Fiscal Court, issued \$9,540,000 in revenue bonds dated February 1, 2004, payable in 20 annual principal installments beginning August 1, 2005 with semi-annual interest payments at rates ranging from 2.00% to 4.50% beginning August 1, 2004. These bonds were used for the construction of the Johnson County Justice Center.

The Corporation entered into a contract lease and option with the Administrative Office of the Courts (AOC). The lease provides the AOC lease the project site and project at a rental equal to the full amount of the principal and interest requirements on the bonds for each year in which the lease is renewed. On July 1 of each even numbered year, the lease may be renewed by AOC for another biennial period of two years. Should the AOC renew the lease until the bonds mature, the Corporation will convey the project site and the project to the Fiscal Court. As of June 30, 2009, bonds outstanding were \$8,070,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	<u>Governmental Activities</u>	
	Principal	Interest
2010	\$ 385,000	\$ 297,180
2011	395,000	287,425
2012	405,000	276,417
2013	420,000	264,245
2014	435,000	250,985
2015-2019	2,410,000	1,009,399
2020-2024	2,950,000	472,413
2025	670,000	14,740
Totals	<u>\$ 8,070,000</u>	<u>\$ 2,872,804</u>

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Waste Control**

The County has entered into the following agreement with the Kentucky Association of Counties Leasing Trust Program:

<b>Description</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount</b>
Waste Control	December 13, 1993	January 20, 2013	Variable	\$ 34,000

Scheduled payments for the remaining years are:

Fiscal Year Ended June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 8,000	\$ 1,246
2011	8,000	921
2012	9,000	580
2013	9,000	215
Totals	<u>\$ 34,000</u>	<u>\$ 2,962</u>

**D. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 8,450,000	\$	\$ 380,000	\$ 8,070,000	\$ 385,000
Financing Obligations	75,561		20,588	54,973	21,902
Governmental Activities					
Long-term Liabilities	<u>\$ 8,525,561</u>	<u>\$</u>	<u>\$ 400,588</u>	<u>\$ 8,124,973</u>	<u>\$ 406,902</u>

**Note 6. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$305,790 interest on revenue bonds and \$26,514 interest on financing obligations.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

On February 24, 2000, the Johnson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-5404 or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2009, Johnson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 10. Litigation**

**A. Former Sheriff Gay Cyrus Has A \$7,811 Deficit In Her 1992 Tax Account**

There was a deficit of \$17,559 in the former Sheriff's 1992 Tax Account. This deficit resulted from undeposited 1992 tax receipts discovered in the 1992 audit. The deficit of \$17,559 had been reduced by payments of \$9,748 made March 20, 2000, leaving a balance of \$7,811 owed to the following taxing districts.

Johnson County School District	\$	7,017
Paintsville Independent School District		<u>794</u>
Total	\$	<u><u>7,811</u></u>

As of June 30, 2009, no additional payments have been made toward this deficit.

KRS 64.820(1) states that the Fiscal Court shall collect any amount due the County from the County official as determined by the audit if the amount can be collected without suit. KRS 64.820(2) states that in the event the Fiscal Court cannot collect the amount due the County from a County official without suit, the Fiscal Court shall direct the County Attorney to institute suit for the collection of the amount reported in the audit. Pursuant to KRS 64.820(1), the Fiscal Court has directed the County Attorney to institute suit for collection of the amounts due.

**B. Former Sheriff Don McFadden Has An Accumulated Deficit of \$11,592 in His Tax Accounts**

Former Sheriff Don McFadden has a deficit of \$11,592 in his tax account. These deficits resulted from undeposited tax receipts discovered during prior audits. The amounts owed the different taxing districts are as follows:

<u>Taxing District</u>	<u>1993</u>		<u>1997</u>		<u>1998</u>		<u>Total</u>
Johnson County School	\$	4,125	\$	1,256	\$	3,177	\$ 8,558
Library				89			89
Health				92		2,818	2,910
Extension				29			29
Soil Conservation				6			6
Total	\$	<u>4,125</u>	\$	<u>1,472</u>	\$	<u>5,995</u>	\$ <u><u>11,592</u></u>

As of June 30, 2009, no payments have been made toward this deficit.

KRS 64.820(1) states that the Fiscal Court shall collect any amount due the County from the County official as determined by the audit if the amount can be collected without suit. KRS 64.820(2) states that in the event the Fiscal Court cannot collect the amount due the County from a County official without suit, the Fiscal Court shall direct the County Attorney to institute suit for the collection of the amount reported in the audit. Pursuant to KRS 64.820(1), the Fiscal Court has directed the County Attorney to institute suit for collection of the amounts due.

**JOHNSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 11. Prior Period Adjustments**

The beginning net asset balances as of June 30, 2008 for governmental activities of Johnson County Fiscal Court have been restated due to an overstatement of cash in the General Fund. The following is a reconciliation of net assets and General Fund cash as of June 30, 2008, as previously reported, to the restated net assets balance for the same period.

	Governmental Activities
Beginning Balance - Net Assets	\$ 12,238,480
Adjustment for Overstatement of Cash	(18,303)
Restated Beginning Balance	<u>\$ 12,220,177</u>
Beginning Balance - General Fund Cash	\$ 1,842,555
Adjustment for Overstatement of Cash	(18,303)
Restated Beginning Balance	<u>\$ 1,824,252</u>

**Note 12. Van Lear Landfill**

The Johnson County Landfill stopped accepting waste in 1989 and on February 15, 1996, the county was issued a Closure Permit for closure operations at the landfill. The fiscal court must comply with established state and federal landfill closure and post closure procedures and must perform maintenance and monitoring procedures at the site for a specific period of time as set by the Environmental and Public Protection Cabinet. During the fiscal year ended June 30, 2009, the county incurred costs of \$9,716 for monitoring, supplies, and testing associated with the closing of the Johnson County Landfill.

**JOHNSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**





**JOHNSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,841,500	\$ 1,841,500	\$ 1,966,080	\$ 124,580
In Lieu Tax Payments	300	300	27,539	27,239
Excess Fees	1,311,819	1,311,819	1,362,406	50,587
Intergovernmental Revenue	353,100	353,100	828,609	475,509
Charges for Services	3,000	3,000	9,020	6,020
Miscellaneous	53,350	53,350	62,433	9,083
Interest	35,000	35,000	20,644	(14,356)
Total Revenues	<u>3,598,069</u>	<u>3,598,069</u>	<u>4,276,731</u>	<u>678,662</u>
<b>EXPENDITURES</b>				
General Government	2,382,439	2,678,154	2,355,471	322,683
Protection to Persons and Property	229,500	229,500	164,375	65,125
General Health and Sanitation	47,500	473,459	407,389	66,070
Recreation and Culture	25,000	25,000	25,000	
Roads	193,000	224,212		224,212
Airport Board	2,500	2,500		2,500
Debt Service	15,161	15,161	247,102	(231,941)
Administration	906,964	1,054,078	1,000,163	53,915
Total Expenditures	<u>3,802,064</u>	<u>4,702,064</u>	<u>4,199,500</u>	<u>502,564</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(203,995)</u>	<u>(1,103,995)</u>	<u>77,231</u>	<u>1,181,226</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(387,000)</u>	<u>(387,000)</u>	<u>(285,000)</u>	<u>102,000</u>
Total Other Financing Sources (Uses)	<u>(387,000)</u>	<u>(387,000)</u>	<u>(285,000)</u>	<u>102,000</u>
Net Changes in Fund Balance	(590,995)	(1,490,995)	(207,769)	1,283,226
Fund Balance - Beginning	<u>590,995</u>	<u>1,490,995</u>	<u>1,824,252</u>	<u>333,257</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 1,616,483</u>	<u>\$ 1,616,483</u>

**JOHNSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 792,535	\$ 792,535	\$ 1,119,159	\$ 326,624
Miscellaneous			1,200	1,200
Interest	16,000	16,000	13,003	(2,997)
Total Revenues	808,535	808,535	1,133,362	324,827
EXPENDITURES				
General Health and Sanitation		881	881	
Roads	635,287	737,744	547,526	190,218
Administration	231,083	627,745	190,982	436,763
Total Expenditures	866,370	1,366,370	739,389	626,981
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(57,835)	(557,835)	393,973	951,808
Net Changes in Fund Balance				
Fund Balance - Beginning	(57,835)	(557,835)	393,973	951,808
	57,835	557,835	589,341	31,506
Fund Balance - Ending	\$	\$	\$ 983,314	\$ 983,314
Reconciliation				
Total Expenditures-Budgetary Basis			\$ 739,389	
Add: Truck and Equipment Purchases			195,122	
Total Expenditures-Modified Cash Basis			\$ 934,511	
Total Other Financing Sources (Uses) - Budgetary Basis			\$	
Add: Lease Proceeds			195,122	
Total Other Financing Sources (Uses) - Modified Cash Basis			\$ 195,122	

**JOHNSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 445,803	\$ 445,803	\$ 978,804	\$ 533,001
Charge for Services			500	500
Interest	24,000	24,000	12,137	(11,863)
Total Revenues	<u>469,803</u>	<u>469,803</u>	<u>991,441</u>	<u>521,638</u>
<b>EXPENDITURES</b>				
General Government	51,006	51,870	38,379	13,491
Protection to Persons and Property	2,700	2,700	2,646	54
General Health and Sanitation	20,200	24,352	19,525	4,827
Social Services	64,190	67,066	51,466	15,600
Roads	768,126	757,375	538,599	218,776
Administration	63,581	66,440	57,425	9,015
Total Expenditures	<u>969,803</u>	<u>969,803</u>	<u>708,040</u>	<u>261,763</u>
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>283,401</u>	<u>783,401</u>
Net Changes in Fund Balances	(500,000)	(500,000)	283,401	783,401
Fund Balances - Beginning	<u>500,000</u>	<u>500,000</u>	<u>665,003</u>	<u>165,003</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 948,404</u>	<u>\$ 948,404</u>

**JOHNSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>INDUSTRIAL AUTHORITY #3 FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Interest	\$ 15,000	\$ 15,000	\$ 7,119	\$ (7,881)
Total Revenues	15,000	15,000	7,119	(7,881)
<b>EXPENDITURES</b>				
Administration	502,000	502,000		502,000
Total Expenditures	502,000	502,000		502,000
Excess (Deficiency) of Revenues Expenditures Before Other Financing Sources (Uses)	(487,000)	(487,000)	7,119	494,119
Net Changes in Fund Balances	(487,000)	(487,000)	7,119	494,119
Fund Balances - Beginning	487,000	487,000	490,373	3,373
Fund Balances - Ending	\$	\$	\$ 497,492	\$ 497,492

**JOHNSON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**JOHNSON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2009**

**JOHNSON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>Mountain Homeplace</b>				
	<b>Jail</b>	<b>Economic</b>	<b>Special</b>	<b>Industrial</b>	<b>Industrial</b>
	<b>Fund</b>	<b>Development</b>	<b>Insurance</b>	<b>Authority</b>	<b>Authority</b>
	<b>Fund</b>	<b>Project</b>	<b>Fund</b>	<b>#1</b>	<b>#2</b>
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,785	\$ 34,300	\$ 54,779	\$ 222,653	\$ 12,617
Total Assets	<u>6,785</u>	<u>34,300</u>	<u>54,779</u>	<u>222,653</u>	<u>12,617</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	336				
Unreserved:					
Special Revenue Funds	6,449	34,300	54,779	222,653	12,617
Total Fund Balances	<u>\$ 6,785</u>	<u>\$ 34,300</u>	<u>\$ 54,779</u>	<u>\$ 222,653</u>	<u>\$ 12,617</u>

The accompanying notes are an integral part of the financial statements.



JOHNSON COUNTY  
 COMBINING BALANCE SHEET -  
 NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 Other Supplementary Information  
 June 30, 2009  
 (Continued)

Industrial Authority #4 Fund	Public Properties		Total Non-Major Governmental Funds
	Courthouse Corporation Sinking Bond Fund	Maced Micro- Enterprise Fund	
\$ 29,373	\$ 38,347	\$ 1	\$ 398,855
29,373	38,347	1	398,855
336			
29,373	38,347	1	398,519
\$ 29,373	\$ 38,347	\$ 1	\$ 398,855

The accompanying notes are an integral part of the financial statements.

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**JOHNSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**

**JOHNSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>Mountain Homeplace</b>			<b>Industrial</b>
		<b>Economic</b>		<b>Authority</b>
	<b>Jail</b>	<b>Development</b>	<b>Special</b>	<b>#1</b>
	<b>Fund</b>	<b>Project</b>	<b>Insurance</b>	<b>Fund</b>
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 105,194	\$	\$	\$
Interest	393	491	423	3,186
Total Revenues	<u>105,587</u>	<u>491</u>	<u>423</u>	<u>3,186</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	385,721			
Administration	<u>14,761</u>			
Total Expenditures	<u>400,482</u>			
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(294,895)</u>	<u>491</u>	<u>423</u>	<u>3,186</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>285,000</u>			
Total Other Financing Sources (Uses)	<u>285,000</u>			
Net Change in Fund Balances	(9,895)	491	423	3,186
Fund Balances - Beginning	<u>16,680</u>	<u>33,809</u>	<u>54,356</u>	<u>219,467</u>
Fund Balances - Ending	<u><u>\$ 6,785</u></u>	<u><u>\$ 34,300</u></u>	<u><u>\$ 54,779</u></u>	<u><u>\$ 222,653</u></u>

The accompanying notes are an integral part of the financial statements.

JOHNSON COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information  
For The Year Ended June 30, 2009  
(Continued)

Industrial Authority #2 Fund	Industrial Authority #4 Fund	Public Properties		Total Non-Major Governmental Funds
		Courthouse Corporation Sinking Bond Fund	Maced Micro- Enterprise Fund	
\$	\$	\$	\$	\$
181	420	548	6,682	105,194
181	420	548	6,682	12,324
				117,518
				385,721
			10,879	25,640
			10,879	411,361
181	420	548	(4,197)	(293,843)
				285,000
				285,000
181	420	548	(4,197)	(8,843)
12,436	28,953	37,799	4,198	407,698
\$ 12,617	\$ 29,373	\$ 38,347	\$ 1	\$ 398,855

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**TEDDY MICHAEL PRATER CPA, PLLC**  
**HC 62 Box 291**  
**Salyersville, KY 41465**  
**Telephone (606) 349-8042**

The Honorable Roger T. Daniel, Johnson County Judge/Executive  
Members of the Johnson County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 16, 2009. Johnson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Johnson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Johnson County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Johnson County's financial statements, as of and for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Teddy Michael Prater CPA". The signature is written in a cursive, flowing style.

Teddy Michael Prater CPA, PLLC

December 16, 2009

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**JOHNSON COUNTY FISCAL COURT**

**For The Year Ended June 30, 2009**

Appendix A



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
JOHNSON COUNTY FISCAL COURT

For the Fiscal Year Ended June 30, 2009

The Johnson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge Executive

  
County Treasurer

